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# A BILL FOR AN ACT

RELATING TO SEAWATER AIR CONDITIONING.

**BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF HAWAII:**

1           SECTION 1. The legislature finds that seawater air  
2 conditioning district cooling systems help to reduce our  
3 dependence on fossil fuels and help our economy. The twenty-  
4 five thousand ton seawater air conditioning district cooling  
5 system under development for downtown Honolulu can potentially  
6 reduce Oahu's dependence on imported oil by as much as one  
7 hundred seventy-four thousand barrels annually.

8           The downtown Honolulu seawater air conditioning project  
9 will generate millions of dollars in construction project  
10 spending. In addition, it will create a significant amount of  
11 long-term gainful employment. Other local economic development  
12 benefits will accrue from money that is not exported outside the  
13 state to purchase oil, but rather, is circulated in the local  
14 economy.

15           During the lifetime of this system, local spending would  
16 exceed \$294,000,000. The calculated output based on this local  
17 spending is \$456,000,000. This amount of local spending would



1 also generate \$149,000,000 in earnings and three thousand five  
2 hundred sixteen full-time-equivalent person-years of jobs. This  
3 is equivalent to one hundred thirty-three full-time jobs for  
4 twenty-six and a half years.

5 Furthermore, this project will generate additional revenues  
6 for the State over its more than twenty-five-year life. The  
7 downtown Honolulu seawater air conditioning project will  
8 generate an estimated \$8,252,000 in additional tax revenue  
9 during the period from 2009 to 2011. During this same period,  
10 this project will be eligible for \$5,116,000 in enterprise zone  
11 benefits. Therefore, the net fiscal benefit to the State during  
12 this period will be \$3,136,000. If this project is not  
13 completed, there will be a net revenue loss to the State of  
14 \$3,136,000. During its lifetime, the system would generate  
15 \$24,000,000 in new state taxes.

16 The purpose of this Act is to assist seawater air  
17 conditioning district cooling systems by allowing the systems to  
18 benefit from the State's enterprise zone program.

19 SECTION 2. Section 209E-2, Hawaii Revised Statutes, is  
20 amended by amending the definition of "qualified business" to  
21 read as follows:



1        "Qualified business" means any corporation, partnership,  
2 or sole proprietorship authorized to do business in the [State]  
3 state that is qualified under section 209E-9, subject to the  
4 state corporate or individual income tax under chapter 235, and  
5 is:

- 6        (1) Engaged in manufacturing, the wholesale sale of  
7            tangible personal property as defined in section  
8            237-4, or a service business as defined in this  
9            chapter;
- 10       (2) Engaged in producing agricultural products where the  
11           business is a producer as defined in section 237-5, or  
12           engaged in processing agricultural products, all or  
13           some of which were grown within an enterprise zone;
- 14       (3) Engaged in research, development, sale, or production  
15           of all types of genetically-engineered medical,  
16           agricultural, or maritime biotechnology products; [~~or~~]
- 17       (4) Engaged in producing electric power from wind energy  
18           for sale primarily to a public utility company for  
19           resale to the public[~~-~~]; or
- 20       (5) Engaged in producing air conditioning from a seawater  
21           air conditioning district cooling system."



1 SECTION 3. Section 209E-11, Hawaii Revised Statutes, is  
2 amended to read as follows:

3 "**§209E-11 State general excise exemptions.** The department  
4 shall certify annually to the department of taxation that any  
5 qualified business is exempt from the payment of general excise  
6 taxes on the gross proceeds from [~~the~~]:

7 (1) The manufacture of tangible personal property[~~, the~~];

8 (2) The wholesale sale of tangible personal property[~~, the~~  
9 engaging];

10 (3) Engaging in a service business by a qualified  
11 business[~~, or the engaging~~];

12 (4) Engaging in research, development, sale, or production  
13 of all types of genetically-engineered medical,  
14 agricultural, or maritime biotechnology products; or

15 (5) The production of air conditioning from a seawater air  
16 conditioning district cooling system;

17 provided that agricultural businesses other than those engaged  
18 in the production of genetically-engineered agricultural  
19 products shall not be exempt from the payment of general excise  
20 taxes on the gross proceeds of agricultural retail sales. The  
21 gross proceeds received by a contractor licensed under chapter  
22 444 shall be exempt from the general excise tax for construction



1 within an enterprise zone performed for a qualified business  
2 within an enterprise zone[-]; provided that such gross proceeds  
3 received by a contractor licensed under chapter 444 in  
4 connection with the construction of a seawater air conditioning  
5 district cooling system shall not be exempt from the general  
6 excise tax. The exemption shall extend for a period not to  
7 exceed seven years; provided that if a force majeure event  
8 occurs, then the period of time shall be tolled until the force  
9 majeure event ceases."

10 SECTION 4. Statutory material to be repealed is bracketed  
11 and stricken. New statutory material is underscored.

12 SECTION 5. This Act shall take effect on January 1, 2112.



**Report Title:**

Enterprise Zones; Seawater Air Conditioning Cooling System

**Description:**

Allows the sale of air conditioning from seawater air conditioning district cooling systems to qualify for state enterprise zone benefits. (SB242 HD2)

